

Restaurant Business

A BILL PUBLICATION

NOVEMBER 1, 1989

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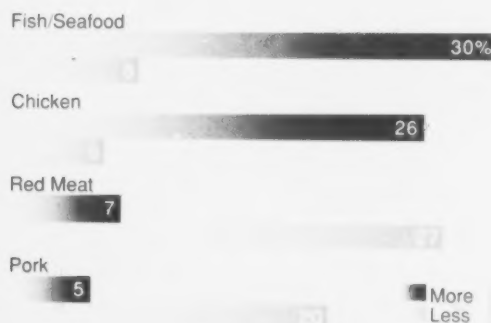
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BUSINESS BAROMETER

FOODS EATEN AWAY FROM HOME 1988 vs. 1987



Of Meat, Fish, and Fowl

A special nationwide mail-out survey of 1,400 adults aged 25 and over by Technomic Inc. indicates a continued trend away from beef and pork.

Respondents were asked to indicate whether they had ordered more or less red meat, chicken, pork, and seafood dishes at restaurants over the past 12 months. Twenty-six percent said they had ordered more chicken dishes, while only 6% reported a decline. The remaining 68% reported no change.

Similarly, 30% reported an increase in fish/seafood selections, versus just 8% reporting fewer occasions. In sharp contrast, 27% of the respondents ordered red meat less frequently, while 20% ordered pork less frequently.

SOURCE: Technomic Inc.

80% PARTICIPATION IN LABOR FORCE July 1988 (ages 16-24)



Youth Goes Into Labor

Between April and July each year, the number of 16 to 24 year olds in the labor force grows rapidly, as large numbers of high school and college students search for summer jobs, and recent graduates look for permanent employment.

The proportion of youths looking for work—the labor force participation rate—reached a high of 77.5% last July, exceeding the previous high attained last summer. However, due to the continuous decline of the youth population, the actual number of young workers in the labor force—25.0 million—dropped by 390,000 since July 1988. Over this one year, the population of 16 to 24 year olds fell by three-quarters of a million.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics

117.0 116.8 116.6 116.4 116.2 116.0 115.8 115.6 115.4 115.2 115.0

RESTAURANT BUSINESS MAGAZINE EATING & DRINKING PLACE INDEX January-June 1989



RB Index Inches Upward

The RB Eating and Drinking Place Index shows real sales trends, adjusted for seasonality and inflation, through a 12-month moving average.

Advance figures from the U.S. Department of Commerce moved the June 1989 index to 116.43—meaning that sales were 16.13% higher in June versus the average deflated sales for the period from 1982 to 1984. The index has inched up 0.57 points since January, and is up 2.5% compared with July 1988. Fast food has fueled much of the growth with a 3.3% real increase in sales for the first half of the year. Midscale and upscale restaurants had a real increase of 1.9%, while Separate Drinking Place sales decreased 1.6% in real terms through the first six months of 1989.

SOURCE: U.S. Department of Commerce, Technomic Inc.

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Cover photo of the Levys at the Fireworks Factory by Nobu Arakawa/Black Star. Fireworks photo by Black Star.

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REPRINTS, INDEX AVAILABLE

Restaurant Business now has available specially prepared reprints of the 1989 **RESTAURANT GROWTH INDEX** and the 1989 **MAJOR FORCES IN FRANCHISING**. The reprints are available for \$5 per copy.

In addition, Restaurant Business is now offering its 1988 **EDITORIAL INDEX** for \$25 per copy.

Direct inquiries to: Editor Peter Berlinski, Restaurant Business, 633 Third Ave., New York, NY 10017.



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IN THE NEXT ISSUE

COVER STORY THE TOP 100

Once again, *RB* offers the definitive chain analysis of the top 100 restaurant companies. This authoritative register—our second annual—is the only comprehensive compilation of company source data: We use no estimates or projections. This is an exclusive roundup of hard data prepared especially for *Restaurant Business* by Technomic; the report also includes 100 company profiles written by staff. One hundred chains, from McDonald's to Blimpie, are ranked by 1988 U.S. systemwide sales and units; average unit volumes, as well as 1987 sales and unit counts, are also included.

MENU IDEAS THE PANTRY OF THE '90s

Food Editor Scott Allmendinger takes a look at what items ought to be on all operators' shelves and in their refrigerators in the coming decade. Included will be a presentation of three main categories: herbs and produce; farmed fish and seafood; and condiment varieties, including oils, vinegars, mustards, and salsas.

MARKET SEGMENT REPORT SANDWICH

The sandwich segment is continuing to experience healthy growth, led by Milford, CT-based Subway Sandwiches & Salads. Expansion in this sector is expected to at least equal—if not surpass—last year's record. The growing popularity of sandwich chains has been attributed to a number of factors, including the trends toward take-out and healthier dining.

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JOB SATISFACTION

Unit Managers Rate Their Compensation and Benefits.

By Marjorie Freedland

In order to help the industry understand the career concerns of the foodservice manager, *Restaurant Business* and Deutsch, Shea & Evans Inc. (DSE) recently conducted a job satisfaction and motivation survey among this key group of workers. This report is in two parts; part I ran in the October 10 issue.

Part II focuses on the problems of foodservice unit managers and their assessment of top management, compensation, benefits, and career options.

How satisfied are the respondents with key elements of their present job?

Ninety-three percent like their responsibilities, a confirmation of findings previously reported. Other sources of broad-based satisfaction are working conditions, 85%; job security, 83%; and company-growth potential and compensation, each with 73%; 66% are pleased with their benefits.

Approval of their career development and training varies under different types of ownership. Although there is extensive satisfaction with career development within the industry, those unit managers working in independent operations are more satisfied than those in chain establishments. However, those workers in independent operations are not nearly as happy with the on-the-job training they have received; respondents who work for chains were happier with the training.

Least satisfactory for the group overall, are the corporate management training programs. A slim majority, 54%, is happy with its program, but

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WHAT THEY WANT:

	Total Respondents (679)	Independents (232)	Chain Franchised (176)	Chain Company-Operated (268)
•Dental insurance, or more of it	22%	19%	26%	21%
•Pension plan, or better plan	20	23	18	19
•Profit sharing, or larger share	17	20	17	15
•Medical/insurance, or more of it	15	13	10	20
•Bonus incentive, or a higher amount	11	15	7	10

WHAT THEY HAVE:

	Total Respondents	Independents	Chain Franchised	Chain Company-Operated
•Medical insurance	88%	89%	77%	94%
•Meal discounts	81	80	80	84
•Life insurance	71	61	60	87
•Bonus incentive	65	49	59	83
•Dental insurance	53	46	35	70
•Management training program	42	19	41	63
•Profit sharing	33	27	31	39
•Tuition reimbursement	26	20	13	39
•Pension plan	21	20	12	27

BASE: No. of respondents in parentheses

MAJOR BENEFITS

36% are not, and 10% did not answer, probably because this training is not available to them.

Clearly, the area of management training is one that needs some attention. For some unit managers, it may not even be available. Among those respondents whose companies do offer management training, many of these programs are viewed as unsatisfactory.

MAJOR PROBLEMS. It is generally acknowledged in the industry that recruiting and retaining hourly employees is the major problem. As one respondent expressed it, "That's the biggie." Therefore, the questionnaire sought information on other issues, and the respondents were encouraged to cite as many problems as they wished.

Unit managers' multiple answers were grouped into four major areas of concern. Leading the list were: profit-related problems, mentioned by 41%; dealing with people, 36%; operational problems, 32%; and finally, personal work factors—deadline pressures and long hours—15%.

The high cost of food, labor, insurance, utilities, and other necessities, combined with the burden of profit and loss responsibility, and unprofitable business locations, were all included in the P&L category. "Maintaining the bottom line" and "controlling the controllables" to them is a formidable challenge, particularly when management sets "unobtainable goals" and demands "instant profits."

Moreover, competition is fierce. Faced with trying to attract new customers in a saturated market, one manager sums up his situation as: "Trying to maintain a budget. Competition is so intense, they beat us to death with price points. We raise prices, patron count falls off. We lower prices to compete...costs go out of sight. Very tough to win!"

It comes down to containing costs while generating additional revenue—doing more with less.

Dealing with people—hourly employees, senior management, and customers—presents a variety of problems. Fourteen percent have difficulty training and motivating employees, 9% report other staff problems and 3% find it hard to recruit/train assistants.

Among their hourly workers, they try to build morale, instill a good ser-

vice attitude and pride, and communicate the importance of their work: "Making sure employees are making sure the customer is satisfied." Other employee problems are dishonesty and substance abuse. Evidently, employee theft is rampant. One respondent is calling for mandatory drug testing.

The respondents' assistant managers, in work situations with little growth potential, have to be motivated to work together as a team, trained to be people-handlers, and to care about the business as if they owned it. They, as well as the hourly workers, apparently lack the work ethic.

Seven percent of the respondents are disillusioned with their supervisors (owners or chain hierarchy)—"corporate people who run the business from their office building." Unit managers

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STRESS FACTOR

'Working long hours to do the job properly and trying to motivate my assistant managers to do the same.'

COMPENSATION

MEDIAN SALARIES BY DEMOGRAPHICS

Total Respondents	\$33,240
Men	\$35,000
Women	\$27,000

BY EXPERIENCE AND TENURE

Years	Experience	Tenure
2 or less	\$21,580	\$27,630
3-5	27,600	32,200
6-10	31,200	34,500
11-15	37,000	38,000
16-20	39,500	38,500
over 20	40,400	46,900

BY TYPE OF RESTAURANT OWNERSHIP

Independent	\$34,620
Chain, franchised	\$29,700
Chain, company-operated	\$33,940

BY NUMBER OF HOURLY EMPLOYEES

Under 20	\$28,420
20-39	\$30,500
40-59	\$33,400
60 and over	\$36,400

STRESS FACTOR

'I feel I always have to be here—it's very hard to take time off. There seems to be a disaster every day that must be solved.'

particularly resent the upper echelon making decisions that affect them without asking for their input.

Incompetent supervisors who issue conflicting and changing instructions came in for considerable criticism. However, hardest to deal with are management's increased expectations, especially in light of decreased resources and support.

Problems with patrons, reported by 3%, center on customer complaints, demands, rudeness, pilferage, and defacing restaurant property.

Operational problems mentioned were quality control (15%), equipment maintenance (8%), vendors (6%), and government regulations (3%).

The respondents strive to serve quality food "picture perfect," and consistently aim to make "tomorrow's presentation better than yesterday's." However, in doing so, they sometimes have to be wary of incurring the wrath of the home office. As one manager put it, "The trick is keeping the menu from becoming boring and yet not provoking upper management by straying too far from the menu they hand down."

Maintaining high standards of service and cleanliness is important to them as well. Coordination and timing,

too, are of the essence. Their function is almost like orchestrating a production, and best described as, "Keeping the dining room in synch with the kitchen."

Antiquated restaurants needing a "facelift" and 20-year-old equipment pose other problems. Equipment breakdowns and subsequent repairs result in "impossible" expenses.

FENDING OFF VENDORS. They despise "obnoxious" and "unethical" vendors who try to take advantage of them. They report getting shorted on food orders, lack of consistency in quality and substandard food, and poor service from giant suppliers. It requires a firm approach to "convince suppliers that I mean business, when I demand top quality," said one manager.

With their incredibly busy schedules unit managers regard government regulation as just another burden. They must contend with constantly changing workers' compensation and tax laws on the federal, state, and local levels.

All these problems take their toll, and managers feel the strain emotionally, physically, and socially. The stress is enormous and although job satisfaction is present, there is a pervasive foreboding that the operation needs their constant presence to head off catastrophe. On top of that, they are insecure in their positions.

While some of these unit managers enjoy good relations with their chain organizations, for the great majority, corporate management is not a source of job satisfaction. How exactly do these respondents assess the management style of their corporate parents?

Most believe their company requires high-quality supplies and standards, and is oriented toward long-term growth—but not all respondents answered, showing some ambivalence on these subjects. Twenty-seven percent in company-operated chain restaurants actually consider their management short-term profit-oriented. A bare majority concedes that chain officials encourage independence and initiative—a key element of job satisfaction. However, one out of four in company-owned operations feels *discouraged* from displaying initiative.

Worst of all, the chains, particularly company-operated, are perceived to be *unresponsive* to employee/franchisee concerns. Only 43% are viewed as re-

sponsive, while approximately one in five respondents views his chain management as unresponsive.

COMPENSATION. Compensation was a critical factor in respondents' job choice. How much, then, do they earn? Salaries range from under \$20,000 to \$100,000 or more, but the median for the overall sample is \$33,240. The median salary for men is \$35,000, \$8,000 more than for women at \$27,000. Compensation in this occupation follows the classic pattern, increasing with age, education, experience, and tenure.

By type of ownership, managers in independent operations earn most—\$34,620; in chain-franchised operations they earn the least, at \$29,700. In company-operated chains, these unit managers make \$33,940.

The larger the operation in number of hourly employees, the higher the manager's salary. By geographic region, east coast managers earn more than those in other areas. In north central U.S., with prevailing lower housing costs, salaries are lowest.

Satisfaction with compensation is widespread (73%). As would be expected, the higher their salary the greater their satisfaction. Interestingly, mid-westerners, at lower levels of compensation, are more content than their counterparts elsewhere.

Only 19% of the group receive a percent share of the ownership. Not surprisingly, the older, more experienced,

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STRESS FACTOR

'Poor pay. No job security, basically a dog-eat-dog world. You're always replaceable.'

and tenured managers get that perk more often than others. One-third of those working at their company over 20 years report receiving it.

Terms and percentages vary considerably. This compensation method is more prevalent among managers in chain-franchised establishments than in other operations; the smaller the business, the more frequently a percent share is part of the deal.

Just 3% indicated that a percent share of ownership is a benefit they do not now receive but would like to have.

BENEFITS. The industry as a whole apparently offers a vast array of benefits. However, based on these findings, for the most comprehensive benefit package, foodservice managers should look to company-owned chain operations. They offer, by far, superior benefits to those available from the independents or chain franchises.

In view of the extensive range of benefits, it is somewhat surprising that nearly one-third (32%) expressed some degree of dissatisfaction with their benefit package. Worthy of note, the degree of overall satisfaction is not appreciably different between the "haves" in company-operated restaurants and the "have-nots" in franchised operations. Regardless of what they are getting, they want additional benefits, or better quality. The five top benefits on their "wish list" are also shown in the benefits chart (see page 73).

CAREER PLANS. What about their plans for the future? Where do they see themselves five years down the pike?

Three-quarters indicate they intend to remain in the industry. A key incentive is money. The more they are earning, the higher their rate of anticipated occupational stability.

For 6%, it's too hot in the kitchen, and they intend to leave the industry. An additional 18% are undecided.

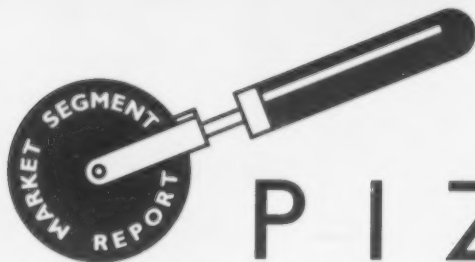
The prospect of losing 24% of the current managerial workforce should be cause for concern. Because there is no consensus as to their work alternatives, there still is time for the industry to make a concerted effort to alleviate managers' problems.

Marjorie Freedland is senior vice president and director of research for Deutsch, Shea & Evans Inc., specialists in human resources research, advertising, and communications.

SATISFACTION WITH KEY JOB FACTORS

	Total Respondents (679) %	Independents (232) %	Chain, Franchised (176) %	Chain, Company-Operated (268) %
SCOPE OF RESPONSIBILITIES				
Satisfied	93	91	94	94
Dissatisfied	6	8	5	6
No answer	1	1	1	—
WORKING CONDITIONS				
Satisfied	85	87	90	81
Dissatisfied	14	12	9	19
No answer	—	1	1	—
JOB SECURITY				
Satisfied	83	83	87	81
Dissatisfied	16	15	11	19
No answer	1	2	2	—
CAREER DEVELOPMENT				
Satisfied	78	82	77	75
Dissatisfied	21	16	21	25
No answer	1	2	2	—
COMPANY GROWTH POTENTIAL				
Satisfied	73	73	73	72
Dissatisfied	25	23	23	28
No answer	2	4	4	—
COMPENSATION				
Satisfied	73	72	73	72
Dissatisfied	26	24	24	28
No answer	1	3	3	—
ON-THE-JOB TRAINING				
Satisfied	72	64	78	74
Dissatisfied	24	27	17	25
No answer	4	9	5	1
BENEFITS				
Satisfied	66	66	67	66
Dissatisfied	32	32	30	34
No answer	2	2	3	—
CORPORATE MANAGEMENT TRAINING PROGRAM				
Satisfied	54	38	60	63
Dissatisfied	36	39	31	35
No answer	10	23	9	1

*Less than 1% Base: Number of respondents shown in parentheses



PIZZA

The leading chains
are concentrating on
entrenchment
and implementing
tried-and-true
market strategies.

The bells and whistles that have accompanied the growth of the \$14-billion pizza segment over the past several years have dimmed to the steady hum of a well-oiled machine at work.

While previous years were characterized by new product introductions, operational developments, and the escalation of the discounting wars, the market now appears to have matured; operators have been making such elements as deep-dish products, delivery, and discounting business-as-usual, and the leading chains are concentrating on entrenchment and the aggressive rollout of their now-established formulas.

EXPANSION. Major expansion has become the strategic focus. Market leader Pizza Hut has plans to double its domestic units to a staggering 12,000 by 1993. Domino's intends to follow on its competitor's heels with an estimated 10,000 units worldwide within the de-

cade. And Little Caesar, which currently has 2,747 outlets, hopes to maintain its position as third in overall growth with more market penetration.

"We estimate that within four or five years the industry will hit the saturation point; hence the immediacy of our growth objectives to put us in a position of strength," says Roger Rydell, Pizza Hut's director of public relations.

Not surprisingly, the steam-rolling of chain units across the nation is making itself felt at the expense of independent operators. According to George Rice, president of GDR/CREST Enterprises, Park Ridge, IL, the chains are enjoying increases in traffic of 11%, in contrast to segment-wide traffic increases of 2%.

While independent operators may be lagging behind the chains, they nonetheless continue to open at a faster rate than those in other segments: in 1989,

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The California Pizza Kitchen chain has popularized nontraditional pizza. Its choice of toppings include goat cheese, duck sausage, and barbecued chicken.

By Nancy Cohen

MARKET SEGMENT
REPORT

PIZZA



Domino's CEO Monaghan shows how it's done.

independent unit growth reached 5.1%, for a total of 17,450, according to Millie Lemajich of the Restaurant Consulting Group, Evanston, IL.

But the total number of restaurants jockeying for a piece of the pizza market increased 9.2% in 1989 to a total of 49,707, she says. By contrast, total restaurant units increased by only 3%.

Though the pizza segment continues to outpace the foodservice industry's overall growth, that growth may already have begun to slow, according to GDR/CREST's Rice. "The numbers

speak to the continued vitality of the segment," he says, "but it's at considerably lower growth than in previous years." CREST data for the year ending May 1989 show that household expenditures for pizza increased 5%, in contrast to 3% growth for the industry as a whole. "And with the dramatic increase in the number of outlets in the past year, the real growth could even be considered flat," he notes.

Certainly, demand for on-premise consumption appears to have flattened, with market growth spurred by home

delivery. According to New York City-based Shearson Lehman Hutton analyst Caroline Levy, on-premise consumption actually dropped 2%, while off-premise consumption rose by 6%.

CROSS-CURRENTS. "There are two cross-currents driving the business," says Stephen Rockwell, an analyst with Alex. Brown & Sons, based in Baltimore, MD. "One is delivery—virtually every pizza parlor from the independents to the chains now offer it; the other is discounting and lower prices. The market will continue to be very tough."

Indeed, delivery's impact has not slackened, even in the wake of controversy about delivery-related traffic accidents. "Delivery has definitely been a growth area for us," says Greg Lippert, vice president of marketing at Tulsa, OK's 284-unit Mazzio's Corp. "Although it can cannibalize some of the carry-out and drive-thru business, it typically adds 10% to 15% to sales—up to 30% in some units."

Particularly since Pizza Hut moved into the Domino's-dominated delivery market, the addition of delivery has become crucial to other chains. "In our markets of strength we are perceived as the quality leader, but the reality is that in a choice between quality and convenience, people opt for convenience," says Doug Rice, communications manager for 550-unit, San Francisco-based Round Table Pizza. "If we didn't deliver, we'd be forfeiting sales."

PRICE PROMOTIONS. Discounting, too, has changed the face of the market, especially as the major chains have followed Little Caesar's two-for-one-price lead with their own promotion strategies. "At some chains, 40% to 50% of all visits now involve a promotion, whereas that number for the quick-service market overall is only 20%," says GDR/CREST's George Rice. "Discounting has almost reached the point of diminishing returns; as everyone does it, the competitive edge starts to be lost."

"Discounting is almost a given; the customer expects it now," says Steve Frisbie, manager of public affairs for Godfather's Pizza, Omaha, NE. "You

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MARKET SEGMENT REPORT PIZZA

have to run different offers periodically to maintain your visibility. It's just a cost of doing business."

Just as the market matures, however, a new player may be entering to tip the balance: McDonald's is testing pizza again, this time with 14-in. whole pies rather than the 7-in., single-serve McPizzas it tested last year. Twenty-four outlets in the Evansville, IN/Owensboro, KY-area currently offer the product to the dinner customer after 4 p.m.

"The test of pizza is just one more example of how our menu evolves to mirror changing consumer needs and tastes—just as our introductions of breakfast, Chicken McNuggets, and salad were," says Melissa Oakley, McDonald's supervisor of media relations.

She emphasizes, however, that the pizza project is only a test. "And our tests can take years," Oakley says. Nonetheless, McDonald's has launched its first advertising support for pizza, marketing its speedy, 5½-minute service with radio and television spots.

"If McDonald's can do pizza as well as they do french fries, we're all in trouble," says Amy Lorton, editor of *Pizza Today*, the publication of the National Association of Pizza Operators. "McDonald's has the distribution system to hurt even a Pizza Hut," agrees Alex. Brown's Rockwell.

LEADERSHIP ROLE. Pizza Hut, which outdistanced the market with sales of \$2.8 billion in 1988, aims to lock in its leadership slot as it continues to roll out as many points and kinds of distribution as possible. The Wichita, KS-based division of PepsiCo has 6,000 domestic units. Pizza Hut plans to base expansion less on its full-service restaurants than on an array of delivery/carry-out formats.

"Our latest market share figures show us capturing 23% to 24%—three years ago, our share was 19%," says Rydell. "President Steve Reinemund's vision is to capture 40% share, with twice the revenues and twice the points of distribution. And it's delivery that's still driving the growth. The demand for off-premise consumption is there, and the economics are favorable."

In 1988, delivery accounted for more than 25% of sales growth and half its profit growth at the store level. Moreover, the company says, each dollar it invests in a delivery unit generates more than three times the return of a dollar invested in a traditional unit.

In an arrangement with Marriott Corp., Pizza Hut is opening kiosks inside hospitals, universities, and airports. The pizza chain is also targeting mall development with both in-line Express units and with food courts formed jointly with sister companies Taco Bell and Kentucky Fried Chicken.

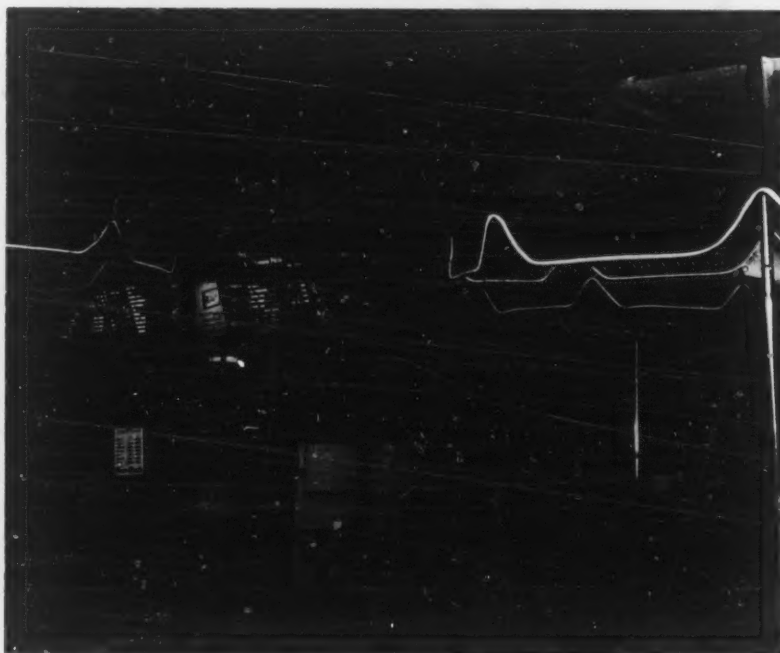
Pizza Hut is currently testing another express concept at one unit in Wichita: a drive-thru-only kiosk on a parking lot pad, which offers pizza, packaged salads, and canned beverages in a 30-second transaction.

Marketing, too, is a key element of Pizza Hut's growth plans. Spending is up roughly 50% to \$150 million in network advertising and local market activities, Rydell says.

The segment is maturing, and is reaching saturation.

DELIVERY LEADER. Despite Pizza Hut's campaign into delivery, Domino's Pizza, Ann Arbor, MI, remains the leader in pizza delivery; its 1988 sales of \$2.3 billion garnered Domino's an estimated 50% share of the pizza delivery market. The 5,100-unit chain's focus remains firmly and narrowly trained on opening more delivery units—currently at the rate of two stores per day, 50 per month, according to Kerry McNulty, media relations manager.

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Papa Gino's 217 restaurants are located in New York, New Jersey, and Florida; 12 to 15 new units are scheduled to open in 1990.



Domino's will also adhere to its guaranteed 30-minute delivery policy, despite coming under fire for unsafe driving. The thrust of the company's efforts is to increase the safety of deliveries with new training courses and videos for its drivers. The firm's marketing is likewise concentrated on underscoring the importance to the company and its drivers of "safety first." That's new president David Black's message, which is now appearing on box toppers and in print advertising.

Last year Domino's introduced deep-dish pizza. While the pan pizza introduction—the company's first new product in its 29-year history—was "astronomically" successful, McNulty says it will not be followed by other introductions.

Little Caesar Enterprises, Farmington Hills, MI, also plans to keep things simple—by sticking with its carry-out-only format and its two-for-one-low price deal.

"We used to deliver, for some 10 or 12 years," notes Lisa Ilitch Murray, vice president of corporate communications.

"We feel carry-out is where we want to be, that we should spend our money to insure food quality instead of on labor for delivery."

The firm is versed in operating other restaurant formats, however; most noteworthy is its April 1989 acquisition of the full-service pizza restaurant chain, Mother's. The 86-unit Mother's joins with Little Caesars' 57 Canadian outlets to make Little Caesars the dominant force in that pizza market.

Like Domino's, Little Caesars is also incorporating its two recent forays into deep-dish products. Pan! Pan! pizza was launched in October 1988, and was joined by the single-serving-size Baby Pan! Pan! in June 1989.

STREAMLINING. As the top three chains have feverishly expanded, a number of smaller chains have experienced their own growing pains. At press time, Pantera's Corp. was readying to file Chapter XI. Godfather's and Shakey's are rebuilding under new management; ShowBiz Pizza Time has restructured following a spinoff from its parent company.

Pantera's Corp., Dallas, TX, has had a difficult time swallowing its 1987 acquisition of Pizza Inn, a chain with three times the units and 10 times the volume of its new parent.

The \$48 million purchase boosted Pantera's to the fourth-ranking pizza chain, with a total of 800 units. Since then it has struggled with its debt and sold or closed stores, leaving a total of about 660. At press time, its lenders had called in debts of \$35.5 million.

Godfather's Pizza has had more time to get back on its feet in the year since its leveraged buyout from Pillsbury. The chain has cut its combination eat-in/take-out/delivery units back to 523, thereby also cutting systemwide sales in 1989 by about 3.5% to \$236 million.

The pizza chains
are enjoying
increases in
customer traffic
of 11%.



As a competitive strategy, Godfather's offers a wide variety of pizzas, toppings, and crusts, plus an all-you-can eat buffet, dessert pizzas, and salad bar.

according to Steve Frisbie.

"We're not playing a numbers game; we're focusing on fine-tuning the system, eliminating unprofitable units, and concentrating on consistency, quality, and per-unit profitability," he says.

And although the firm is simplifying its procedures, it is maintaining its diverse menu. "We have a wide variety of pizzas, toppings, and crusts, plus an all-you-can eat buffet, dessert pizzas, and salad bar—and we feel we must offer it all to be competitive," Frisbie says.

ShowBiz Pizza Time, the Irving, TX-based operator of Chuck E. Cheese and ShowBiz Pizza Place restaurants, has also endured a series of ups and downs throughout the '80s, coming close to

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PIZZA

bankruptcy in 1986. But the company is rebuilding, following its spin-off from hotel operator INTEGRA last year.

UNIQUE NICHE. ShowBiz carves its niche in the market with an emphasis on family entertainment; as much as 25% of its sales are derived from its games and rides, according to Mike Magusiak, chief financial officer. However, ShowBiz's focus on the teen market with video games in the early '80s left it vulnerable when the video trend cooled several years later; the repositioning of its entertainment areas to target two- to 12-year-olds is a key to the family restaurant's future.

"Remodeling, adding new games and rides, and opening up the walls so parents can watch, have all been important to increasing comparable store sales," says Magusiak. "Remodeled units have led to incremental increases of 8% to 10% above the trend."

The spinoff from INTEGRA was integral to the remodeling efforts as it decreased overhead and increased the cash available to pour back into the stores, Magusiak says. And though 1989 has been a lean year for expansion, as ShowBiz paid out its former parent,

the company now plans for 10% unit growth with company-owned stores (which currently number 130). The first two units are due to open in December or January. Another six units are expected to join the 128 existing franchised stores, Magusiak says.

Shakey's, which claims to be the country's oldest pizza franchise, is likewise positioning for a comeback under its new president, Gene Stone, and its new parent, Singapore's Inno-Pacific Holdings. Stone returns to the firm from Skipper's; he was Shakey's vice president of operations and franchising from 1960 to 1969. Inno-Pacific acquired the Irving, TX-based firm early this year.

NEW STRATEGY. Though its numbers have been whittled to 342 units from more than 500 in the early 1970s, Shakey's is set to recapture its share by reversing its recent strategy and opening company-owned stores, Stone says. Over the past five years, Shakey's eliminated all but one such unit.

"Despite our problems, we have lasted 35 years, which shows just how durable this concept is," Stone says. "We believe we can operate these units prof-

On-premise consumption of pizza has flattened.

itably, and we can play on our strengths—our name and our history." In established markets such as Sacramento, CA, Shakey's has a 70% unaided brand awareness, he says.

The first company-owned Shakey's is slated to open in Los Angeles by February 1990, to be joined by three or four more that year, and followed by 20 to 40 openings over the next three to five years. Development will concentrate on current markets, which include strongholds in L.A., Sacramento, and Seattle, and units in 18 states from Wyoming to Virginia.

While Shakey's explores company-owned stores, Papa Gino's, the privately held, Dedham, MA-based chain, intends to battle the growing competition by entering the franchise market for the first time in its 25-year history.

Papa Gino's 217 restaurants are located in New York, New Jersey, and Florida. The company is looking for multi-unit franchisees to further develop those markets, as well as grow the chain all along the East Coast. Company-owned store expansion will also continue: 12 to 15 units are scheduled to open in 1990.

Papa Gino's competitive advantage lies not only in its history of successful operations, says president Ralph Guarino, but also in its varied menu, which includes pasta, submarines, salads, and desserts. "Pizza accounts for 52% of our sales, which indicates the strength of the rest of our menu. The pizza market will have to flatten at some point, and we're well positioned for when it does."

Another advantage of the company's formula is that it offers eat-in, take-out,



Although 70% of Round Table's sales are pizza, it is testing spaghetti and meatballs.

TOP FIVE PIZZA CHAINS

	Units	1988 Sales
PIZZA HUT	5,800	\$2.8 billion
DOMINO'S	4,893	2.3 billion
LITTLE CAESAR	2,180	908.0 million
GODFATHER'S	580	245.0 million
ROUND TABLE	530	267.0 million



and, as of this year, delivery. In the 16 units to which it has been added, delivery has boosted unit sales by 20% to 30%. Delivery will be rolled out in 50 to 100 more units in the coming year.

Like Papa Gino's, Round Table Pizza feels compelled to strike out in new directions. "There's no question that the influx of the big boys from the east has had an impact, and in a market that gives the consumer choices, you have got to make an effort to keep up," says communications manager Doug Rice.

The 100% franchised, San Francisco-based chain has looked to delivery to combat the encroachment of the national chains in its western markets. "Almost 50% of the system now delivers,

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Look
who ran away
with the fork,
the knife
and the spoon.

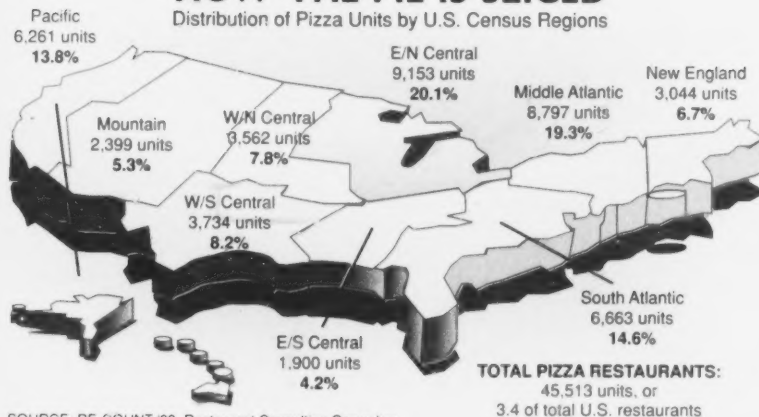
Campbell



PIZZA

HOW THE PIE IS SLICED

Distribution of Pizza Units by U.S. Census Regions



SOURCE: RE-COUNT '88, Restaurant Consulting Group Inc.

and almost none of the stores did 18 months ago," says Rice. "We hope the bulk of the system will be delivering by next year." In the units that offer delivery, it now accounts for 25% of sales, and the sales are incremental.

Another focus has been on remodeling, to lighten up what Rice calls Round Table's traditional "King Arthur dungeon look." Light woods, more windows, and a single order counter help create an open, family dining environment, he says. The firm is also experimenting with table service and self-serve beverage bars. On average, sales have increased 15% following a remodeling, Rice says.

Although 70% of Round Table's sales are pizza, it is currently testing two

Campbell. We're zesty.

All-natural Prego® spaghetti sauces. The flavor bursts through. With spices you can see and a zesty tomato

taste. A long-time favorite of consumers, Prego sauces are now packed in labor-saving, shelf-stable #10-size pouches. So you can have the convenience of a prepared sauce with hearty, premise-made taste. Choose from Prego Spaghetti Sauce and Prego No Salt Added Spaghetti Sauce, to spice things up a bit.

Prego®



Campbell

For more information circle number 200

versions of a spaghetti and meatballs dish to add to its menu, which also includes calzones and sandwiches.

NO DISCOUNTING. One thing that the chain will continue to avoid is discounting. "We base our reputation on quality," says Rice. "And when you're using only top-of-the-line ingredients, discounts can really hurt."

Mazzio's similarly stays away from the discounting game; the upscale pizza parlor chain's strategy is to emphasize the quality of its product.

"Our comparative TV campaign tells the story," says Greg Lippert. "The amount of meat and cheese on our pizza is what makes the difference for us." The Mazzio's three-pounder, its large, five-topping combo pie, tips the scales

by three-quarters of a pound more than the next heaviest pie offered by the competition, he says. Another product differentiation is the oat bran now incorporated into all of Mazzio's deep-dish pizza crusts.

Mazzio's premium positioning, plus the pasta dishes introduced three years ago, should capture the 35-and-up market, Lippert says. Pizza continues to account for 70% of sales.

The chain intends to open only free-standing Mazzio's units, 80% of which have drive-thru windows, and 60% of which deliver. Last year, to streamline its marketing efforts, the firm converted its 15 Scooter's delivery outlets to Mazzio's delivery units. But the company plans to continue to operate 77 units

doing business as Ken's.

LOCAL LOYALTY. "We haven't built a new Ken's in nine years, but they have real loyalty in certain markets, so we decided not to convert them all," Lippert says. A total of 289 units systemwide combined for sales of \$133 million this year.

Bredeaux Pisa is a young company that is carving out its sales with a different product and a streamlined franchise operation. In five years it has grown to 105 units. This spring, it began to gear up for future growth with the relocation of its headquarters from Iowa to St Joseph, MO.

"When I started this business, I knew that the last thing the world

continued on page 126

Campbell. We're robust.

Chef's Kettle™ sauces are made year-round with frozen tomato paste made from fresh tomatoes. So you'll get a rich red color and a robust tomato taste. Unlike the taste you'd get

from other sauces which are made once a year and age in the can. Choose from Deluxe Spaghetti Sauce, Traditional Spaghetti Sauce, Deluxe Pizza Sauce or Extra Thick Pizza Sauce with Basil. All in shelf-stable, labor-saving #10-size pouches. For a fresher taste than you'd find in a can.

*Chef's
Kettle*



For more information circle number 201

Campbell



PIZZA

needed was another pizza place," says Jim Larkin, founder and president. "I knew I couldn't compete with Pizza Hut on its terms, so I created a format based on a small investment and high quality." Those food costs have now come down from 40% to 31% as the chain increased its economies of scale.

The product is based on a French bread dough crust, and is available in a hand-tossed style only. A double-crust pizza and a pocket pizza round out the line. Specialty toppings include taco, BLT, and bratwurst, Dijon mustard, and sauerkraut.

Bredeaux offers its standard pizza on a two-for-one-price basis every day. Prices range from \$5.95 for two small pies to \$12.95 for two basic pies (cheese

plus one topping). About 40% of the sales are garnered by the Bredeaux specials: two 12-in. pizzas with four toppings for \$17.95.

GOURMET PIZZA. A growing group of players is differentiating itself from the major chains by offering high-quality or specialized pizza; the product tends to command higher prices, and the operators may thereby avoid discounting. "Gourmet pizza is no longer a trend; it's a fact of life," says *Pizza Today's* Lorton.

California Pizza Kitchen could be credited with popularizing gourmet pizza. The Los Angeles-based company, founded by former lawyers Rick Rosenfield and Larry Flax in 1984, serves up

continued on page 128

Market leader

Pizza Hut

has plans to

double its domestic

units to a staggering

12,000 by 1993.

Campbell. We're smooth.

Campbell's Cheese Sauces start smooth and stay smooth—when cold or hot. Which means they'll hold up well in potato bars, on tacos and in dips. And won't skim over as quickly as some other sauces. They're made with Aged Cheddar Cheese

and contain no artificial flavors. And they beat the market leader's price.

For more information on Campbell's fine line of sauces, call 1-800-821-4461. In New York, call 1-800-833-3314. Campbell. What foodservice should be.

Sauces & Gravies



Mild Cheddar, Sharp Cheddar, Aged Cheddar, White Cheddar, jalapeño or Nacho Cheese Sauces come in #10 cans. Brown Gravy, Chicken Gravy, White Cream Sauce or Cheese Sauce are in 50-ounce cans.

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PIZZA

28 varieties of pizzas from its wood-burning ovens. Toppings include goat cheese, duck sausage, and its best-selling barbecued chicken. The average check is \$10.

for average gross annual sales per unit of \$950,000. The chain also has recently added an oat-bran pizza with toppings that include broccoli pesto and spinach. Other menu selections include super-

include the creation of a cooperative pool of resources for an advertising campaign and the distribution of credit cards for use at members' stores.

"Ten years ago, I couldn't have done



The upscale, nine-unit chain is poised to bring its California-style product to new markets both in this country and abroad, the result of a joint venture with McLean, VA's Vie de France bakery and cafe chain, and the latter's parent company, Grands Moulins de Paris.

Edwardo's Natural Pizza Restaurants, Chicago, IL, has set its 19 units apart from the competition not only with all-natural ingredients, but with Edwardo's specialty, stuffed pizza. The 3-in. deep, soufflé-style pie and an upscale, full-service setting have combined

thin-crust "light" pizza and a variety of pastas and salads.

NETWORK OF INDEPENDENTS. Independent operators, too, are looking for ways to fight back, as their share of the market is eroded by the chains. So far, 1,500 operators have banded together under the auspices of the U.S. Pizza Network (USPN), a cooperative formed 18 months ago by former pizzeria operator Michael Piancone.

A \$300 annual fee entitles USPN members to savings on supplies ranging from boxes to flour. Future goals

this," says Piancone. "But now the big guys are creating a panic. The independents are realizing that products, service, and the value of their names isn't enough. They have to do whatever it takes to succeed—but they can't do it by themselves."

The independent pizza operator may be in for a fight, but even Piancone says that the competition hasn't been all bad. "With all of the chains' advertising and promotions, they've created more awareness and grown the market for everybody."

MENU IDEAS

The Hot & Spicy Explosion

BY SCOTT ALLMENDINGER

Americans are demanding more flavor on their forks these days, so operators are titillating customers' taste buds with an array of innovative and spicy dishes.

The trend toward tastiness is highly evident: The average American consumes 2.7 lb. of spices annually, an increase of 35% over the last decade, according to the New York City-based American Spice Trade Association. Total spice consumption in 1988 was 640.7 million lb. The three spices consumed in highest volume are mustard seeds (99.2 million lb.); sesame seeds (73.0 million

lb.); and black and white pepper (50.3 million lb.).

And fortunately for operators, the number of flavorful domestic and international ingredients available to them seems to be growing daily. To help fuel the fire in the kitchen, chile peppers, which have taken on a new importance in recent years, are now available fresh and dried, in powders and pastes, to suit nearly every occasion. In addition, other high-flavor ingredients abound, such as garlic, vinegars, flavored oils, and assertive cheeses.

"World fare" and "melting pot cuisine" are the terms Joe Leis, owner of the Avenue Grill in Mill Valley, CA, of-

ten uses to describe spicy menu items such as chicken satay with peanut sauce and marinated cucumbers (\$6.25); peppery prawns sautéed in wine, garlic, and Cajun spices (\$8.50); and five-spiced blackened tuna sashimi with wasabi mayonnaise (\$6.75).

Irvine, CA-based El Torito has a new prototype restaurant that utilizes a full arsenal of fiery and full-flavored ingredients. Caliente (which means "hot" in Spanish) is a 264-seat, nine-month-old concept with average checks of \$5 to \$7 at lunch and \$8 to \$10 at dinner. Rather than the regional Mexican flair of El Torito Grills, Caliente specializes in southwestern food. *Pasilla* and *qual-*

PHOTOGRAPHY BY DON KUSHNICK FOODSTYLING BY KATHLEEN KENNY SANDERSON

Tex-Mex muffins, with peppers, sausage, and cheese, may be served with chile butter for extra flavor.



RB TEST KITCHEN MENU IDEAS

lijo peppers are the main sources of spiciness. But other strong flavors are incorporated as well, such as the garlic butter on shrimp fajitas and aged cheese on mesquite-grilled chile rellenos. "Fire-roasted" onions are onion rings that are grilled and brushed with *achiote* pepper paste. Heat levels are medium, says a company spokesperson, attracting a clientele that is "90% Anglo."

HOT AND FAST. Hot and spicy foods are turning up at breakfast and on fast-food fixings bars, too. Oak Brook, IL-based McDonald's is testing Mexican breakfast burritos. And at Taco Cabana in San Antonio, TX, guests help themselves to fixings that include *pico de gallo*, jalapeño peppers, onions, and cilantro.

Traditionally conservative hotel dining rooms are also capitalizing on the flavor trend, hoping to coax back diners either bored or intimidated by traditional fare. The Drake Hotel in Chicago, a property of Vista International, spiced up September with a month-long "Some Like it Hot" promotion. The hotel's four restaurants featured "Southwestern-Cajun" cuisine, including dishes such as Cajun seafood salad with crisp greens, fresh mint, and avocado-oil vinaigrette; stuffed soft-shell crab piquant with Cajun béarnaise; and Tex-Mex quesadillas with red chile sauce.

Don Gerald Jr., vice president and district manager of Baton Rouge, LA-based Ralph & Kacoo's, credits the Cajun phenomenon with raising the public's threshold of tolerance for spicy food. "The Cajun craze did entice people to try different things and experience different tastes," says Gerald.

He is quick to point out, however, that Ralph & Kacoo's are Louisiana seafood houses rather than Cajun restaurants. People tend to associate Cajun cooking with searingly hot dishes, Gerald feels, and ignore the other foundations of the Louisiana cooking: white and green onions, garlic, green bell

peppers, and celery. Of course, pepper plays a role, he adds, but it is likely to be white and black as well as red. Ralph & Kacoo's Louisiana classics include shrimp remoulade (\$7.25); and crawfish étouffée (\$10.95).

Gerald objects to heavy-handed seasoning because it overpowers food. "It is imperative to have the freshest product available," he says, "and you want to enhance it with spices—not hide it."

"As the market gets more sophisticated, assertive flavors begin to emerge, but you must complement rather than drown the base product

TEX-MEX MUFFINS

(pictured on opening page)

2 cups flour	1 cup diced red pepper
2 cups cornmeal	1 cup diced green pepper
2 tsp. baking powder	1 jalapeño pepper, minced
1 tsp. baking soda	8 oz. chorizo or smoked
1 tsp. salt	sausage, cooked and
2 eggs	crumbled
½ cup sugar	2 cups cheddar cheese,
2 cups buttermilk	shredded
½ cup oil	Shortening, for greasing tins

1. Preheat oven to 400°F. Combine flour, cornmeal, baking powder, baking soda, and salt. Set aside.

2. In a separate bowl, combine eggs and sugar, and mix well. Whisk in buttermilk and oil, blending thoroughly. Add wet ingredients to dry. Mix gently. Fold in peppers, chorizo, and cheese.

3. Pour batter into 12 well-greased large muffin tins. Bake for 18-20 min. Serve muffins with chili butter.

(Yield: 12 muffins)

CHILI BUTTER

½ lb. butter, softened
1 ½ tbsp. chili powder

Combine butter and chili powder. Mix well. Pipe butter into small plastic containers. Refrigerate until ready to serve.

you're working with," says Erwin Drechsler, chef/owner of Metropolis 1800 in Chicago. Drechsler believes that customers are looking for simpler presentations. "People want their food to look like food." An eclectic restaurant that offers American fare, Metropolis 1800 combines many tastes from different cultures. The menu offers such items as a salad of roasted sea scallops with buckwheat noodles, asparagus, and sake-sesame sauce (\$6); and sautéed soft-shell crabs with wasabi coleslaw and shoestring yams (\$16).

MIXED PEDIGREE. Like Drechsler, chef/owner Alain Grizard of Nectarine in Santa Fe, NM, feels that well-defined flavors lead to simpler food. But while the food on the plate may be less complex, the pedigree is certainly con-

voluted: Grizard defines his style as "California, mixed with Mediterranean and Southwestern." In addition, he likes to "play with the interesting colors, tastes, and textures of Japanese and Thai cuisines." Popular signature dishes at Nectarine are grilled Hawaiian tuna with fresh pineapple and red bell pepper salsa (\$14.95); and saffron mussel soup with garlic croutons and a romanesco sauce (\$3.50).

One of the groundbreaking restaurants of the hot and spicy invasion has been Routh Street Café in Dallas. Since chef and co-owner Stephan Pyles first helped to make "chile" a household word, he and partner John Dayton have spread the gospel to Minneapolis with the casual, \$14-check-average restaurant Tejas (Spanish for Texas) and the pricier Goodfellow's (for more on Goodfellow's, see "Chef's Art," p.168).

In opening Tejas, executive chef Mark Haugen discovered that although customers are looking for more flavor, they still need to be "eased in" to unfamiliar foods and combinations. "People must be led to try things," says Haugen. "That means being as explicit as possible when writing out the menu."

HOT SPICES

Largest increase in consumption,
1978-1988:

Basil	327%	Cardamom	114%
Fennel	255	Oregano	103
Anise	216	Thyme	100
Rosemary	208		

Source: American Spice Trade Assn.

MENU IDEAS

Patrons want to be told exactly what the style is and what ingredients they should expect." Daily cover counts ranging from 600 to 800 and annual sales of \$2.5 million reveal that the formula has paid off for Haugen, Pyles, and Dayton.

Haugen draws "inspiration from around the world," but his favorite ingredients are dried chiles and his personal blend of spices. The most successful dishes he says, spring from a juxtaposition of different, pronounced flavors, such as tamarind with Mexican mint marigold. Spicy favorites at Tejas include: chorizo tamale with spicy corn salsa and tomatillo chutney (\$5); and grilled lamb loin chops with Mexican spices, garlic cream, and sweet potato empanadas (\$13.50).

Rox Sand Scocos, chef/owner of Rox Sand in Phoenix, agrees that spicing up a menu can be risky unless you know your customers' tastes. "Fortunately, our clientele comes here knowing that they'll be trying really different things," she says. "The age factor of the customer has something to do with it. Our customers are between 30 and 55. It's a sophisticated clientele, and the food excludes those who aren't adventurous."

Scocos has also found that balancing fiery dishes with a cooling element helps. Jamaican-style jerk rabbit, for example, is served with crème fraîche, blue cornbread, and grilled vegetables (\$17.95). Another favorite is Mongolian beef with corn tortillas, roasted red peppers, and crème fraîche (\$8.95). One signature item is a pizza called Perez del Valle (named after a dishwasher), which can be ordered in different degrees of spiciness, or "temperature." Perez del Valle features roma tomatoes and chiles on black-bean puree, with gruyère and provolone (\$8.50).

FLAVOR AND CHOICE. Customers are beginning to take an active part in knowing what kinds of flavors they enjoy. Not only do they want more intense flavor, but they want it in a variety of dishes, as well. According to Karen Willison, marketing manager of Bay Street Restaurants based in Dallas, TX, "People want to experience more interesting foods, but at the same time you must appeal to a broad base of tastes. This means that you offer an item like shrimp spiced in a variety of

A • MENU • SAMPLER

The following is a selection of notable hot and spicy dishes offered by restaurants around the country.

MELANGE

Wilmette, IL

JAMAICAN YOGURT SOUP \$3.50

Served with fresh fruit, honey, and homemade granola

SALMON RAVIOLI \$7.25

Served with tomato pasta and fresh sorrel sauce

METROPOLIS 1800

Chicago, IL

HOMEMADE FETTUCCINE \$8.00

Served with shrimp, spinach, pine nuts, and lemon-garlic oil

GRILLED HALIBUT \$15.00

Served with roasted red pepper-basil mayonnaise, bulgur, and cucumber salad

BAY STREET RESTAURANT

Dallas, TX

CRAWFISH ETOUFFEE \$3.25

Crawfish tails smothered in a spicy sauce and served with rice

BBQ SWORDFISH SANDWICH \$6.45

Charbroiled swordfish steak with barbecue and sautéed onions

TEJAS

Minneapolis, MN

SMOKED TURKEY BREAST \$6.00

Served with mixed greens, fried cayenne pasta, and apple-pecan dressing

JICAMA SALAD \$4.50

Served with endive and tequila-orange vinaigrette

BLACK AND WHITE BEAN SOUP \$3.25

Served with red jalapeño cream

KOUSKOOZ

Phoenix, AZ

BAKED GOAT CHEESE \$6.95

Served with tomato-mint salsa, black beans, and toasted pita chips

ROX SAND

Phoenix, AZ

GRILLED LAMB MERQUEZ \$8.25

Served with curried eggplant and turmeric pasta

BAKED SNAPPER \$8.50

Served with Szechuan black bean sauce and kim chee

JERKED SHRIMP RASTA PASTA \$17.95

Shrimp marinated in Jamaican jerk spice with multi-colored pasta

RICE TAMALES \$8.95

Filled with curried lamb

THE AVENUE GRILL

Mill Valley, CA

SUGAR REEF PRAWNS \$15.95

Sautéed with garlic and served on herbed pasta

GINGER SPRING ROLLS \$5.95

Served with hot honey mustard

PEPPERY PRAWNS \$8.50

Sautéed in wine, garlic, and Cajun spices

ways." Shrimp, Shrimp, Shrimp is a Bay Street specialty that teams blackened shrimp with fried shrimp and scampi preparations (\$12.95). The chicken sampler features lemon-marinated and blackened versions (\$8.95). According to Willison, "There's a definite trend for more mixtures of flavor

profiles. Single-service items are out; combinations are coming in."

Additional recipes are available for free. For your convenience, we invite you to use the "Letter to the Editor" postcard in the back of the issue. Please label requests "Hot & Spicy."